

Message Text

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71

ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 SAM-01 AID-20 IGA-02 AEC-11 CEA-02

CIEP-02 COME-00 EB-11 FEA-02 FPC-01 INT-08 OMB-01

SCI-06 STR-08 TRSE-00 DRC-01 /202 W

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R 221830Z FEB 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9863

INFO AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY JIDDA

AMEMBASSY MOSCOW

AMEMBASSY RANGOON

AMEMBASSY TEHRAN

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: ENRG, IN

SUBJ: ENERGY: GOI SETS CRUDE OIL IMPORT LEVELS

REF: A) NEW DELHI 1002 (NOTAL; B) NEW DELHI 2356 (NOTAL;

C) NEW DELHI 1913 (NOTAL; D) NEW DELHI A-59 (NOTAL; E) MOSCOW

2266 (NOTAL)

SUMMARY: DESPITE INCREASED CRUDE PRICES AND THE LIKLIHOOD THAT
IMPORTS AT PREVIOUSLY PLANNED LEVELS WOULD INVOLVE IN EXCESS

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OF ONE THIRD OF ALL PROJECTS EXPENDITURES FOR IMPORTS, THE GOI

HAS ANNOUNCED THAT IT PLANS TO IMPORT 16 MILLION TONS OF CRUDE IN 1974, AN INCREASE OVER 1973 LEVELS. THIS WOULD COST INDIA CLOSE TO AN ADDITIONAL \$1 BILLION OVER 1973 CRUDE EXPENDITURES. HOW THIS WOULD BE FINANCED, AND HOW IT WOULD AFFECT THEIR IMPORTS, ARE NOT YET KNOWN. END SUMMARY.

2. DURING HIS FEBRUARY 18 ADDRESS TO PARLIAMENT, PRESIDENT GIRI SAID THAT INDIA EXPECTED TO PAY ABOUT \$1.0 BILLION MORE THAN LAST YEAR FOR ITS OIL IMPORTS (REF B). ON THE FOLLOWING DAY, PETROLEUM MINISTER OF STATE, SHAH NAWAZ KHAN ANNOUNCED THAT CRUDE OIL IMPORTS DURING 1974 WOULD BE "ON THE ORDER OF OVER 16 MILLION TONS" (117.4 MILLION BARRELS). KHAN SEEMED TO BE CAREFULLY AVOIDING ANY MENTION OF THE GOI PLANNING COMMISSION'S (PRE-ENERGY CRISIS) 1974 TARGET, OR OF COMPARATIVE DATA RELATING THIS IMPORT TOTAL TO (SAY) 1973 IMPORT VOLUMES AND COSTS. YET, THE NET RESULT OF KHAN'S ANNOUNCEMENT (AND A LITTLE LESS DIRECTLY, THE PRESIDENT'S STATEMENT) CLEARLY DEFINES THE GOI'S CURRENT CRUDE OIL IMPORT TARGET FOR 1974: IT WILL MATCH THE PLANNING COMMISSION'S PRE-ENERGY CRISIS TOTAL ALMOST PRECISELY, FOR A 16 PERCENT VOLUME INCREASE ABOVE 1973.

2. PRIOR TO OPEC'S LATE 1973 CRUDE OIL PRICE INCREASES, THE PLANNING COMMISSION SET A 1974 CRUDE IMPORT GOAL OF 117.6 MILLION BARRELS, COMPARED TO 101.3 MILLION IN 1973. TO THIS WOULD BE ADDED ABOUT 56.9 MILLION BARRELS OF CRUDE FROM DOMESTIC SOURCES OF SUPPLY, FOR A TOTAL CRUDE AVAILABILITY OF 174.5 MILLION BARRELS (OR 90 PERCENT OF INSTALLED REFINERY CAPACITY) BY YEAR-END. WITH THE RECENT PRICE INCREASES, HOWEVER, A 1973 CRUDE IMPORT COST OF ABOUT \$358.5 MILLION WOULD BE ESCALATED TO POSSIBLY SOMETHING OVER \$1.0 BILLION IN 1974 ALONE (ASSUMING AN AVERAGE C.I.F. COST OF \$9.00 PER BARREL - REF A).

3. KHAN SPECIFICALLY NOTED THAT THE 16 MILLION TONS (117.4 MILLION BARRELS) TO BE IMPORTED DURING 1974 WILL BE PROVIDED BY IRAN (69.2 MILLION BARRELS), IRAQ (20.3 MILLION BARRELS) AND SAUDI ARABIA (27.9 MILLION BARRELS). ON THIS VOLUME BASIS, AND UNLESS PRICE ROLLBACKS MATERIALIZE DURING 1974, THE TOTAL BILL FOR CRUDE IMPORTS WILL INDEED APPROACH \$1.1 BILLION. TO THIS MAY BE ADDED AN ESTIMATED COST OF \$104.0 MILLION OF LIMITED OFFICIAL USE

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1974 IMPORTS OF PETROLEUM PRODUCTS (THE GOI SEEMS WILLING TO SUSTAIN PRODUCT IMPORTS AS WELL - REF C). THE OVERALL COST OF NEARLY \$1.2 BILLION COULD THUS ULTIMATELY BE IN EXCESS OF ONE-THIRD OF INDIA'S PROJECTS TOTAL COST OF ALL IMPORTS (ALL COMMODITIES) OF \$3.6 BILLION DURING THE YEAR, ACCORDING TO THE NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH (REF D).

4. THE GOI'S METHOD (OR METHODS) OF FINANCING CERTAIN PURCHASES

DO NOT YET APPEAR TO BE RESOLVED. PETROLEUM MINISTER D.K. BAROOAH TOLD THE LOK SABHA FEBRUARY 19 THAT THE GOVERNMENT IS CURRENTLY DISCUSSING "EASIER PAYMENT" PLANS WITH OPEC AND OTHER OIL EXPORTING COUNTRIES. THE GOI IS ALSO KNOWN TO BE PURSUING A LIBYAN-FOR-PERSIAN GULF SWAP DEAL WITH THE USSR (REF E), AND VARIOUS AID-AND-TRADE PROPOSALS (HOPEFULLY) WITH LIBYA, IRAQ, IRAN, AND/OR OTHERS. INTERESTING THOUGH THESE DIVERSE SCHEMES MAY BE, THERE IS NO EVIDENCE YET TO SUGGEST THAT NAY WILL DEVELOP SUFFICIENTLY TO PROVIDE IMPORTANT FOREIGN EXCHANGE SAVINGS TO THE GOI DURING 1974 (OR BEYOND). KHANS' IMPORT STATEMENT NOTWITHSTANDING, INDIA'S ECONOMIC DECISION-MAKERS MAY, THEREFORE, CONTINUE TO FACE PRESSURES TO REDUCE IMPORTS, INCLUDING PETROLEUM.

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Message Attributes

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